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27 November 1954

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CENTRAL INTELLIGENCE AGENCY

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DIA and DOS review(s) completed.

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GENERAL

1. Greece discussing resumption of diplomatic relations with Poland and Rumania:

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Poland and Rumania have joined the list of Satellites seeking to re-establish diplomatic relations with Athens.

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The Foreign Ministry is reported to anticipate the speedy resumption of relations with Poland because there are no outstanding differences between the two countries.

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Comment: In the current Orbit campaign to woo Greece, all the European Satellites except Albania have made overtures to re-establish diplomatic relations. Bucharest may have special reasons for wishing to renew relations, such as an interest in Greek shipping to help move Rumanian exports, and might therefore accept the Greek demands in principle as a basis for negotiation.

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Although Greece, after long hesitation, agreed last May to resume relations with Bulgaria, negotiations over financial problems are still dragging on.

This move by Poland and Rumania appears to be part of a general Orbit campaign to establish normal diplomatic relations with countries other than the United States.

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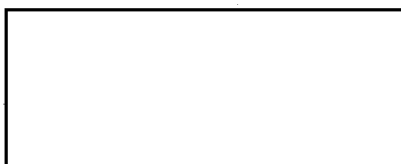
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SOUTHEAST ASIA

3. Viet Minh gains in provincial areas of South Vietnam noted:

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Rear Admiral Cabanier, French fleet commander in south Indochina, told an American embassy officer in Saigon recently that if present conditions con-

tinue, "free Vietnam will be lost to the Communists within three months."

He said that in the area west of Saigon, which he has visited frequently in connection with the removal of Viet Minh troops by his naval units, provincial officials seemingly govern the towns and cities but admit that the Viet Minh actually runs things, even in the cities. He attributed this condition to the widespread expectation that the Viet Minh will eventually take over and to the central government's failure to support local authorities with a co-ordinated military and civilian policy.

Cabanier said Viet Minh troops had originally objected to their removal but soon had been brought into line by assurances from their superiors that their evacuation was only temporary. They were apparently convinced, since none requested evacuation of their dependents.

4. Britain favors international supervision of Cambodian elections:

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The British ambassador in Phnom Penh told Ambassador McClintock on 24 November that his government interpreted Article 6

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of the Geneva agreement as providing for supervision of the forthcoming Cambodian elections by the International Control Commission. He said that the outgoing Canadian truce commissioner was of the same opinion.

Comment: The Cambodian government hopes to hold the elections, which are scheduled for March 1955, without foreign supervision. Article 6 of the Cambodian cease-fire agreement provides for the reintegration of former Communist-sponsored dissidents into the national community and for the holding of general elections.

Although the article is silent on the question of supervision, it has been interpreted by all the members of the truce commission to imply supervision of the elections by that commission.

British policy in supporting international supervision appears to be motivated by a desire to blunt Communist charges that the Western powers are imposing an anti-Communist policy on the Cambodian government contrary to the spirit of the Geneva agreement.

The Indians and the Poles have ulterior motives in insisting on this interpretation. The Indian aim appears to be a neutralist Cambodia within the Indian sphere of influence. The Poles are attempting to further Viet Minh objectives.

SOUTH ASIA

5. Soviet truck convoy reported entering southern Afghanistan:



A convoy of 140 Soviet trucks carrying heavy road construction and maintenance equipment crossed into western Afghanistan at Herat prior to 15 November and was heading for Kabul via Farah and

Kandahar in the southern part of the country, [redacted]

[redacted] informed the American army attaché in Kabul.

Comment: The bulldozers, graders, cement spreaders, snow-removal equipment and maintenance

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workshops said to be carried by the convoy are presumably to be used in paving Kabul streets as provided for in the Soviet-Afghan loan agreement of 5 October.

It would be extremely difficult, if not impossible, to move such heavy equipment along the more direct but tortuous mountain route from Mazar-i-sharif to Kabul. Southern Afghanistan has long been open to Soviet diplomats to at least the same limited extent that the northern part of the country has been open to American representatives.

6. India may get British-financed steel mill:

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[REDACTED] London has offered B. M. Birla, Indian industrialist, a financial arrangement providing for a credit of 45,000,000 pounds sterling (\$126,000,000) to construct a steel plant in India with a 650,000-ton capacity, according to the British trade commissioner in New Delhi. The repayment period is ten years and the interest rate "slightly more than that for gilt-edged securities." There has as yet been no discussion as to whether the plant would be operated as a government or private enterprise.

Comment: There has been considerable discussion in Indian government circles of a Soviet offer to build a steel mill in India with a 300,000-ton annual capacity. Conservative members of the Indian cabinet have been making strenuous efforts to obtain a steel mill from sources other than Russian. They are apparently pinning their hopes on Britain, as private investors in the United States were not interested.

Even though its terms appear less attractive than those of the Soviet offer, the British proposal will strengthen Finance Minister Deshmukh and Commerce Minister Krishnamachari in their attempts to prevent Indian acceptance of the Soviet offer. In view of the death of former food minister Kidwai, who sponsored the Soviet steel mill project, Deshmukh and Krishnamachari may be able to convince Nehru that acceptance of the Soviet offer would be unwise. It is unlikely that the Indian government will accept both the British and Soviet offers at this time.

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WESTERN EUROPE

7. Renewed pressure in France for early talks with USSR foreseen:

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[REDACTED] A high French Foreign Ministry official has expressed fear to the American embassy in Paris that the USSR may accept the "Eden plan" for unification of Germany through free elections "subject to minor amendments." In such an event, he believes there would be some utility in the earlier French suggestion that talks with the USSR take place while ratification of the Paris agreements is in process. He stated that an "apparently forthcoming Soviet move" on Germany might make it impossible for the French government to resist "public and parliamentary clamor for early talks."

Meanwhile, according to a member of the staff of the National Assembly Foreign Affairs Committee, the parliamentary situation has deteriorated insofar as the Paris agreements are concerned, but it is still "universally believed" they will pass.

Comment: Growing opposition to Mendes-France on the budget and North African issues, as well as accusations from some of his original supporters that he is becoming too "pro-American," will probably narrow his majority on the Paris accords more than had hitherto been anticipated.

The influential Paris daily Le Monde, which has heretofore strongly backed Mendes-France, attacked the premier on 23 November for failing to keep his promise to the assembly that East-West talks would be held during the process of ratification of the Paris agreements. The paper expressed regret that Mendes-France's talks in Washington did little to encourage Soviet conciliation.